



June 11, 2008

Honorable Max Baucus
Chairman
Committee on Finance
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The Congressional Budget Office has prepared the enclosed table summarizing the budgetary effects of S. 3101, assuming adoption of an amendment transmitted by your staff (draft name "GOE08452.xml"). CBO estimates that S. 3101 with that proposed amendment would increase spending on physicians' and other services by \$19.8 billion over the 2008-2013 period and \$62.8 billion over the 2008-2018 period; those amounts would be offset by reductions in payments to other providers (primarily Medicare Advantage plans). Taken together, the bill would reduce direct spending by \$5 million over both the 2008-2013 and 2008-2018 periods, CBO estimates.

S. 3101, when amended, would avert a reduction to Medicare's physician fee schedule planned for July 1, 2008, by freezing those fees at their current levels for the remainder of the year and increasing them by 1.1 percent in January 2009. Beyond 2009, fees would be held at their current-law levels, necessitating a 21 percent reduction in 2010. The bill would also extend many expiring provisions of Medicare, expand Medicare's coverage of preventive services, and modify the rules governing eligibility for the Medicare Savings Program.

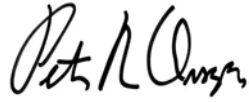
New spending under the bill would be offset largely by reductions in payments to and enrollment in Medicare Advantage plans. The bill, with the amendment, would phase out double payments for indirect medical education made to plans and hospitals for Medicare Advantage enrollees. It also would require private fee-for-service plans to adopt networks, with some exceptions, leading to decreases in enrollment and reduced outlays. Other savings would come from modifications to the Physician Assistance and Quality Initiative fund and changes to Medicare's payments for home oxygen therapy.

Honorable Max Baucus

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I hope this information is helpful to you. The CBO staff contact for further information is Tom Bradley, who can be reached at 226-9010.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter R. Orszag". The signature is fluid and cursive, with the first name "Peter" and last name "Orszag" clearly distinguishable.

Peter R. Orszag
Director

Enclosure

cc: Honorable Charles E. Grassley
Ranking Member

CBO Estimate of S. 3101, the Medicare Improvements for Patients and Providers Act of 2008, as Amended [Amendment version GOE08452].

Figures are outlays, by fiscal year, in BILLIONS of dollars.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2008- 2013	2008- 2018
CHANGES IN DIRECT SPENDING													
TITLE I - MEDICARE													
Subtitle A. Beneficiary Improvements													
PART I - PREVENTION, MARKETING, AND QUALITY IMPROVEMENT													
101 Improvements to coverage of preventive services.	0	*	0.1	0.3	0.5	0.5	0.6	0.8	0.9	1.0	1.2	1.4	5.9
102 Elimination of discriminatory copayment rates for medicare outpatient psychiatric services.	0	0	*	0.1	0.1	0.2	0.4	0.5	0.5	0.5	0.6	0.5	3.0
103 Prohibitions and limitations on certain sales and marketing activities under Medicare Advantage plans and prescription drug plans.	0	0	0	0	0	0	0	0	0	0	0	0	0
104 Improvements to the Medigap program.	0	0	0	0	0	0	0	0	0	0	0	0	0
PART II - LOW-INCOME PROGRAMS													
111 Extension of qualifying individual (QI) program through December 31, 2009.													
Medicaid	0.1	*	-0.1	*	0	0	0	0	0	0	0	*	*
Medicare	*	0.3	0.1	*	0	0	0	0	0	0	0	0.5	0.5
112 Application of full LIS subsidy assets test under Medicare Savings Program.	0	0.1	0.2	0.3	0.4	0.7	0.8	0.9	1.1	1.3	1.4	1.6	7.0
113 Eliminating barriers to enrollment.													
114 Elimination of Medicare part D late enrollment penalties paid by subsidy eligible individuals.	0	*	*	*	*	*	*	*	0	0	0	0.1	0.1
115 Eliminating application of estate recovery.	0	0	*	*	*	*	*	*	*	*	*	*	0.1
116 Exemptions from income and resources for determination of eligibility for low-income subsidy.													
117 Judicial review of decisions of the Commissioner of Social Security under the Medicare part D low-income subsidy program.	0	0	0	0	0	0	0	0	0	0	0	0	0
118 Translation of model form.													
119 Medicare enrollment assistance.													

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Subtitle B. Provisions Relating to Part A													
121 Expansion and extension of the Medicare Rural Hospital Flexibility Program.	0	0	0	0	0	0	0	0	0	0	0	0	0
122 Rebasing for sole community hospitals.	0	*	*	*	*	*	*	*	*	*	*	0.1	0.3
123 Demonstration project on community health integration models in certain rural counties.	0	0	0	0	0	0	0	0	0	0	0	0	0
124 Extension of the reclassification of certain hospitals.	0	0.2	*	0	0	0	0	0	0	0	0	0.2	0.2
125 Revocation of unique deeming authority of the Joint Commission.	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtitle C. Provisions Relating to Part B													
PART I - PHYSICIANS' SERVICES													
131 Physician payment, efficiency, and quality improvements.	1.5	6.0	2.4	0	0	-3.2	-1.8	0	0	0	0	6.8	5.0
132 Incentives for electronic prescribing.	0	0	0.1	-0.1	-0.2	-0.3	-0.3	-0.3	-0.3	-0.2	-0.2	-0.4	-1.7
133 Expanding access to primary care services.	0.2	0.1	*	*	*	*	*	*	*	*	0.1	0.5	0.7
134 Extension of floor on Medicare work geographic adjustment under the Medicare physician fee schedule.	0.1	0.3	0.1	*	*	*	*	*	*	*	*	0.6	0.6
135 Imaging provisions.	0	0	*	*	0	0	0	0	0	0	0	*	*
136 Extension of treatment of certain physician pathology services under Medicare.	*	0.1	*	0	0	0	0	0	0	0	0	0.1	0.1
137 Accommodation of physicians ordered to active duty in the Armed Services.	*	*	*	*	*	*	*	*	*	*	*	*	*
138 Adjustment for Medicare mental health services.	*	*	0	0	0	0	0	0	0	0	0	*	*
139 Improvements for Medicare anesthesia teaching programs.	0	0	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.5

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PART II - OTHER PAYMENT AND COVERAGE IMPROVEMENTS													
141 Extension of exceptions process for Medicare therapy caps.	0.1	0.7	0.4	0	0	0	0	0	0	0	0	1.2	1.2
142 Extension of payment rule for brachytherapy and therapeutic radiopharmaceuticals.	*	*	*	0	0	0	0	0	0	0	0	*	*
143 Speech-language pathology services.	0	*	*	*	*	*	*	*	*	*	*	*	0.1
144 Payment and coverage improvements for patients with chronic obstructive pulmonary disease and other conditions.	0	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-0.9	-2.1
145 Revision of payment for power-driven wheelchairs.	0	-0.3	-0.1	*	*	*	*	-0.1	-0.1	-0.1	-0.1	-0.6	-0.8
146 Clinical laboratory tests.	0	*	-0.1	-0.1	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3	-0.6	-2.0
147 Improved access to ambulance services.	*	0.1	*	0	0	0	0	0	0	0	0	0.1	0.1
148 Extension and expansion of the Medicare hold harmless provision under the prospective payment system for hospital outpatient department (HOPD) services for certain hospitals.	*	0.1	*	0	0	0	0	0	0	0	0	0.1	0.1
149 Clarification of payment for clinical laboratory tests furnished by critical access hospitals.	0	*	*	*	*	*	*	*	*	0.1	0.1	0.1	0.3
150 Adding certain entities as originating sites for payment of telehealth services.	0	*	*	*	*	*	*	*	*	*	*	*	0.1
151 MedPAC study and report on improving chronic care demonstration programs.	0	0	0	0	0	0	0	0	0	0	0	0	0
152 Increase of FQHC payment limits.	0	0	*	*	*	*	*	*	*	*	*	0.1	0.1
153 Kidney disease education and awareness provisions.	0	0	*	*	*	*	*	*	*	*	*	*	*
154 Renal dialysis provisions.	0	*	0.1	-0.1	-0.1	*	0.1	0.2	0.3	0.5	0.6	-0.1	1.5
Subtitle D. Provisions Relating to Part C													
161 Phase-out of indirect medical education.	0	0	-0.7	-2.9	-3.8	-5.1	-5.8	-6.4	-7.6	-7.6	-7.6	-12.5	-47.5
162 Revisions To requirements for Medicare Advantage private fee-for-service plans.	--- Included in the estimate for section 161 ---												
163 Revisions to quality improvement programs.	0	0	0	0	0	0	0	0	0	0	0	0	0
164 Revisions relating to specialized Medicare Advantage plans for special needs individuals.	0	0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	*	*	0.2	0.5
165 Limitation on out-of-pocket costs for dual eligibles and qualified medicare beneficiaries enrolled in a specialized Medicare Advantage plan for special needs individuals.	0	0	0	0	0	0	0	0	0	0	0	0	0
166 Adjustment to the Medicare Advantage stabilization fund.	0	0	0	0	0	-1.3	-0.4	0	0	0	0	-1.3	-1.8
167 Access to Medicare reasonable cost contract plans.	0	0	*	*	0	0	0	0	0	0	0	*	*
168 MedPAC study and report on quality measures.	0	0	0	0	0	0	0	0	0	0	0	0	0
169 MedPAC study and report on Medicare Advantage payments.	0	0	0	0	0	0	0	0	0	0	0	0	0

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Subtitle E. Provisions Relating to Part D													
PART I - IMPROVING PHARMACY ACCESS													
171 Prompt payment by prescription drug plans and MA–PD plans under part D.	0	0	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.7
172 Submission of claims by pharmacies located in or contracting with long-term care facilities.	0	0	0	0	0	0	0	0	0	0	0	0	0
173 Regular update of prescription drug pricing standard.	0	0	0	0	0	0	0	0	0	0	0	0	0
PART II - OTHER PROVISIONS													
175 Inclusion of barbiturates and benzodiazepines as covered part D drugs.	0	0	0	*	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.3	1.3
176 Formulary requirements with respect to certain categories or classes of drugs.	0	0	0	0	0	0	0	0	0	0	0	0	0
Subtitle F. Other Provisions													
181 Use of part D data.	0	0	0	0	0	0	0	0	0	0	0	0	0
182 Revision of definition of medically accepted indication for drugs.	0	*	*	*	*	*	*	*	*	*	*	*	*
183 Contract with a consensus-based entity regarding performance measurement.	0	*	*	*	*	0	0	0	0	0	0	*	*
184 Cost-sharing for clinical trials.	0	*	*	*	*	*	*	*	*	*	*	0.1	0.1
185 Addressing health care disparities.	0	0	0	0	0	0	0	0	0	0	0	0	0
186 Demonstration to improve care to previously uninsured.	0	0	*	*	*	0	0	0	0	0	0	*	*
187 Office of the Inspector General report on compliance with and enforcement of national standards on culturally and linguistically appropriate services (CLAS) in Medicare.	0	0	*	*	*	*	0	0	0	0	0	*	*
188 Medicare Improvement Funding.	0	*	*	*	*	1.1	4.4	6.0	6.0	6.0	3.0	1.2	26.4
TITLE II - MEDICAID													
201 Extension of transitional medical assistance (TMA) and abstinence education program.	*	0.6	0.8	0.1	*	*	*	*	*	0	0	1.5	1.5
202 Medicaid DSH extension.	*	*	*	0	0	0	0	0	0	0	0	0.1	0.1
203 Pharmacy reimbursement under Medicaid.	0	0.1	0	0	0	0	0	0	0	0	0	0.1	0.1
204 Administrative review of disallowances of Federal financial participation under Medicaid.	0	0	0	0	0	0	0	0	0	0	0	0	0

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TITLE III - MISCELLANEOUS													
301 Extension of TANF supplemental grants through fiscal year 2009.	0	0.2	0.1	*	*	0	0	0	0	0	0	0.3	0.3
302 70 percent federal matching for foster care and adoption assistance for the District of Columbia.	0	*	*	*	*	*	*	*	*	*	*	*	0.1
303 Extension of Special Diabetes Grant Programs.	0	0	0.1	0.3	0.2	*	0	0	0	0	0	0.6	0.6
304 IOM reports on best practices for conducting systematic reviews of clinical effectiveness research and for developing clinical protocols.	0	*	*	0	0	0	0	0	0	0	0	*	*
Interactions													
Medicare Advantage interactions	0	0	0.9	0.1	0.1	-1.0	-0.5	0.2	0.3	0.3	0.4	0.1	0.9
Premium interactions /1	0	-2.2	-1.1	-0.2	*	0.9	0.4	-0.2	-0.3	-0.4	-0.5	-2.6	-3.6
102 Mental health services - Medicaid interaction	0	0	*	*	*	*	*	*	*	*	*	*	-0.2
132 Electronic prescribing - Part D interaction	0	*	*	*	*	-0.1	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.8
Total, Changes in Direct Spending /2	2.1	6.5	3.7	-2.0	-2.8	-7.5	-2.1	1.6	0.8	1.2	-1.4	*	*

Notes: * = cost or savings of less than \$50 million.

1. Premium interactions do not include the effect of the "beneficiary premium protection" provision. That effect is included in the estimate for section 131.
2. The estimated net effect on direct spending over both the 2008-2013 and 2008-2018 periods is a reduction of less than \$50 million.